



March 2, 2020

HB 1628 - Sales and Use Tax - Rate Reduction and Services – Potential Amendments - OPPOSE

Chair Kaiser, Vice Chair Washington, and members of the House Ways & Means Committee,

The Maryland Veterinary Medical Association (MDVMA) was established in 1886 and is the largest professional and advocacy organization for veterinarians and technicians in Maryland. MDVMA's mission is to serve as a leading resource for the veterinary community through communication, education, representation and support for the advancement of animal and public health in Maryland. Our members are licensed practitioners in the fields of small animal, equine and food animal health.

House Bill 1628 would tax veterinary services in Maryland. Animal owners in Maryland are legally required to provide three basic things to ensure proper care of their animals: food, shelter, and regular veterinary services. This would be a significant increase in cost to Maryland animal owners and could dissuade individuals from seeking proper care for their animals. There are a variety of transactions that take place in our offices. Other states have adopted similar exemptions to a sales/service tax increase listed below. We ask the committee to consider exempting these services from a tax:

Euthanasia and Cremation Services: Cremation services when the veterinarian disposes of the animal remains.

Veterinary Services for K-9 or Service Animals. Most veterinarians extend a discount to working animals and we believe a state exemption for these services is appropriate.

Agricultural Practice Services: Services performed by a veterinarian to farm livestock or farm work stock used exclusively in the business of farming. A veterinarian's charges for the performance of a custom farming service are not subject to tax. Examples of services to farm livestock used exclusively in the business of farming that are custom farming services include performing artificial insemination on dairy cattle, vaccinating animals, diagnosing disease, and treating injuries.

Microchipping Services: Microchipping services when the veterinarian must administer anesthesia to the animal prior to installing the microchip. A veterinarian's purchase of a microchip to be installed in animal with the use of anesthesia is taxable. There is enormous public benefit to incentivizing individuals to microchip their animals.

Tattooing Services: Tattooing services when the veterinarian must administer anesthesia to the animal prior to tattooing. A veterinarian's purchase of tattoo ink to be used in tattooing an animal with the use of anesthesia is taxable.

Specific Veterinary Services. This includes services performed on an animal in the diagnosis, cure, mitigation, treatment, or prevention of disease. Examples of veterinary services are physical examinations, vaccinations, injections, x-rays, cast application and removal, surgery, laboratory testing, and prescribing drugs. Exempt veterinary services should include charges for boarding, food, and grooming provided in conjunction with veterinary services. Example: Veterinarian is

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going to neuter Customer's dog. Once the neutering is complete, Customer's dog is kept at Veterinarian's clinic for 2 additional days so that Veterinarian can observe the healing progress of the dog. Veterinarian charges Customer for boarding and food while the dog stays at Veterinarian's clinic.

There are a number of reasons Maryland veterinarians are generally opposed to this legislation:

- Places small professional practices with the burden of collecting taxes related to our services to the community.
- The medical community strongly depends on utilizing diagnostic testing in order to best understand problems occurring with patients. Taxing services would take away funds that could be best served to help our patients.
- Preventative Health Care and Rabies Vaccination programs would be greatly affected by the increase in costs to citizens.
- The accumulative costs of paying service taxes would have a large impact on the cost of living in the state of Maryland.
- Border counties would see a large migration of clients visiting neighboring states for services to avoid a tax. This would have a large negative impact on professions in those areas.
- Larger corporations and pet insurance programs would seek other states to operate businesses. This would have a negative impact on the growth of businesses in our state.
- It is unclear whether insurance companies would pay tax or leave this to a client or patient. This would discriminate against those clients / patients that do not have insurance.

We strongly urge the committee to consider the exemptions MDVMA asks for above. Please do not hesitate to contact us for additional information or to discuss further.

Sincerely,

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